

Cement Industry Revises 2010 Forecast Downward Lags in Public Highway Spending Contribute to Consumption Reduction

SKOKIE, Ill.—Due to delays in an extension of a federal highway bill, cement consumption will not begin a significant rebound until 2013, according to the most recent economic forecast from the Portland Cement Association (PCA).

In 2010, PCA anticipates a 2.4 percent increase in consumption compared to severely depressed 2009 levels. A 6.7 percent gain is predicted for 2011, followed by an 8.4 percent increase in 2012. An 18.8 percent jump is projected for 2013 when highway and street cement consumption comes back on track.

“Delays in an extension of SAFETEA-LU reduced highway cement consumption by one million metric tons in 2010,” Edward Sullivan, PCA chief economist said. “Lacking a new highway bill until 2013, highway cement consumption will be based on inflation eroded SAFETEA-LU extensions, declining ARRA stimulus and extremely weak state fiscal conditions.”

Spending from the stimulus package will increase in 2010 as composition of the projects shifts away from resurfacing to more cement intensive projects like road widening and bridgework--attributing 4.1 million metric tons, followed by 2.8 million metric tons in 2011. Due to the large deficits many are facing, state spending is expected to decline during the same period as states channel funds to higher priority areas.

Although nonresidential sectors like oil and farm construction will contribute to the modest 2010 cement consumption increase, consumption accrued to commercial building will decline 23.3 percent. The residential sector is projected to remain nearly unchanged from 2009 levels, but is expected to grow 12.1 percent in 2011 as foreclosures flatten and job creation increases.

“The turning point for cement consumption will most likely occur in 2013,” Sullivan said. “Then we will have a new highway bill in fiscal 2013, supplemented by the recovery in state fiscal conditions. At the same time, nonresidential and residential building should be on a solid upswing.”